

INTRODUCTION: Federal Fiscal Operations

Budget authority usually takes the form of appropriations that allow *obligations* to be incurred and payments to be made. Reappropriations are Congressional actions that extend the availability of unobligated amounts that have expired or would otherwise expire. These are counted as new budget authority in the fiscal year of the legislation in which the reappropriation act is included, regardless of when the amounts were originally appropriated or when they would otherwise lapse.

Obligations generally are liquidated by the issuance of checks or the disbursement of cash--*outlays*. Obligations may also be liquidated (and outlays recorded) by the accrual of interest on public issues of Treasury debt securities (including an increase in redemption value of bonds outstanding); or by the issuance of bonds, debentures, notes, monetary credits, or electronic payments.

Refunds of collections generally are treated as reductions of collections, whereas payments for earned-income tax credits in excess of tax liabilities are treated as outlays. Outlays during a fiscal year may be for payment of obligations incurred in prior years or in the same year. Outlays, therefore, flow in part from unexpended balances of prior year budget authority and from budget authority provided for the year in which the money is spent. Total outlays include both budget and off-budget outlays and are stated net of offsetting collections.

Receipts are reported in the tables as either budget receipts or offsetting collections. They are collections from the public, excluding receipts offset against outlays. These, also called governmental receipts, consist mainly of tax receipts (including social insurance taxes), receipts from court fines, certain licenses, and deposits of earnings by the Federal Reserve system. Refunds of receipts are treated as deductions from gross receipts.

Offsetting collections from other Government accounts or the public are of a business-type or market-oriented nature. They are classified as either collections credited to appropriations or fund accounts, or offsetting receipts (i.e., amounts deposited in receipt accounts). The former normally can be used without appropriation act by Congress. These occur in two instances: (1) when authorized by law, amounts collected for materials or services are treated as reimbursements to appropriations, and (2) in the three types of revolving funds (public enterprise, intragovernmental, and trust); collections are netted against spending, and outlays are reported as the net amount.

Offsetting receipts in receipt accounts cannot be used without appropriation. They are subdivided into two categories: (1) proprietary receipts, or collections from the public, offset against outlays by agency and by function, and (2) intra-governmental funds, or payments into receipt accounts from governmental appropriation or fund accounts. They fi-

nance operations within and between Government agencies and are credited with collections from other Government accounts.

Intrabudgetary transactions are subdivided into three categories: (1) interfund transactions--payments are from one fund group (either Federal funds or trust funds) to a receipt account in the other fund group; (2) Federal intrafund transactions--payments and receipts both occur within the Federal fund group; and (3) trust intrafund transactions--payments and receipts both occur within the trust fund group.

Offsetting receipts are generally deducted from budget authority and outlays by function, subfunction, or agency. There are four types of receipts, however, that are deducted from budget totals as undistributed offsetting receipts. They are: (1) agencies' payments (including payments by *off-budget Federal entities*) as employers into employees' retirement funds; (2) interest received by trust funds; (3) rents and royalties on the Outer Continental Shelf lands; and (4) other interest (i.e., that collected on Outer Continental Shelf money in deposit funds when such money is transferred into the budget).

The Government has used the unified budget concept as a foundation for its budgetary analysis and presentation since 1969. The concept calls for the budget to include all of the Government's fiscal transactions with the public. Since 1971, however, various laws have been enacted removing several Federal entities from (or creating them outside of) the budget. Other laws have moved certain off-budget Federal entities onto the budget. Under current law, the off-budget Federal entities consist of the two Social Security trust funds, Federal old-age and survivors insurance, and Federal disability insurance.

Although an off-budget Federal entity's receipts, outlays, and surplus or deficit ordinarily are not subject to targets set by the congressional resolution, the Balanced Budget and Emergency Deficit Control Act of 1985 (commonly known as the Gramm-Rudman-Hollings Act) included off-budget surplus or deficit in calculating deficit targets under that act and in calculating excess deficit. Partly for this reason, attention has focused on both on- and off-budget receipts, outlays, and deficit of the Government.

Tables **FFO-1**, **FFO-2**, and **FFO-3** are published quarterly and cover 5 years of data, estimates for 2 years, detail for 13 months, and fiscal year-to-date data. They provide a summary of data relating to Federal fiscal operations reported by Federal entities and disbursing officers, and daily reports from the Federal Reserve banks. They also detail accounting transactions affecting receipts and outlays of the Government and off-budget Federal entities and their related effect on assets and liabilities of the Government. Data are derived from the

Monthly Treasury Statement of Receipts and Outlays of the United States Government.

- Table **FFO-1** summarizes the amount of total receipts, outlays, and surplus or deficit, as well as transactions in Federal securities, monetary assets, and balances in Treasury operating cash.

- Table **FFO-2** includes on- and off-budget receipts by source. Amounts represent income taxes, social insurance taxes, net contributions for other insurance and retirement, excise taxes, estate and gift taxes, customs duties, and net miscellaneous receipts.

- Table **FFO-3** details on- and off-budget outlays by agency.

- Table **FFO-4** (Fall issue) summarizes internal revenue collections by States and other areas and by type of tax. Amounts reported are collections made in a fiscal year. They

span several tax liability years because they consist of prepayments (i.e., estimated tax payments and taxes withheld by employers for individual income and Social Security taxes), of payments made with tax returns, and of subsequent payments made after tax returns are due or are filed (i.e., payments with delinquent returns or on delinquent accounts).

It is important to note that these data do not necessarily reflect the Federal tax burden of individual States. Amounts are reported based on the primary filing address provided by each taxpayer or reporting entity. For multistate corporations, the address may reflect only the State where such a corporation reported its taxes from a principal office rather than other States where income was earned or where individual income and Social Security taxes were withheld. In addition, an individual may reside in one State and work in another.

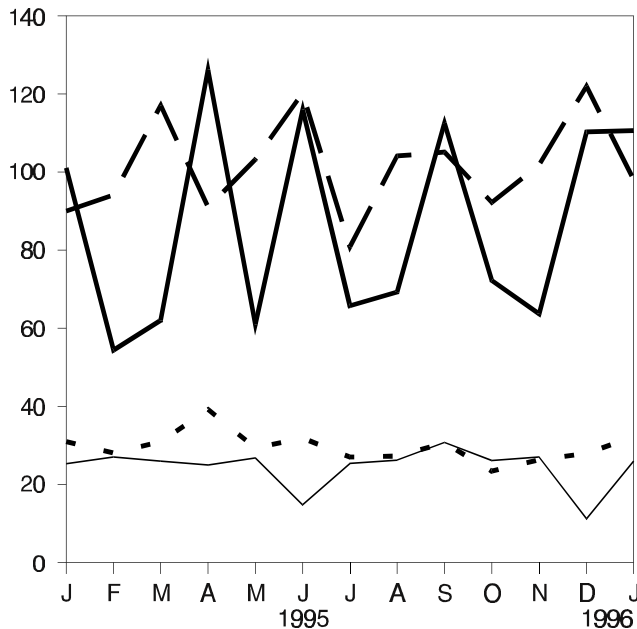


CHART FFO-A.--
Monthly Receipts and Outlays

(In billions of dollars)

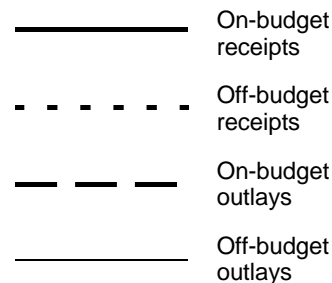
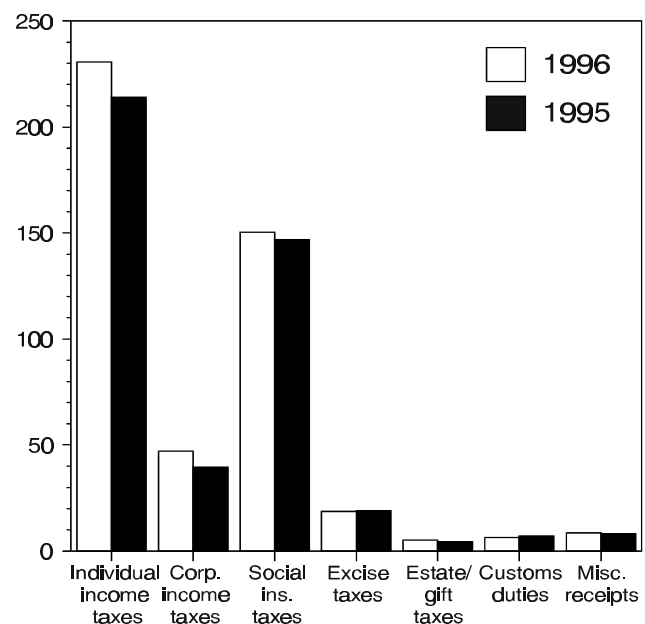


CHART FFO-B.-- Budget
Receipts by Source,
through First Quarter,
Fiscal Years 1995, 1996

(In billions of dollars)

Source: "Monthly Treasury Statement of Receipts and Outlays of the United States Government"



Summary of Budget Results for the First Quarter, Fiscal 1996

The Federal budget balance continued to register improvement at the start of fiscal 1996. The deficit of \$55.9 billion in the first quarter of the fiscal year was narrower by \$17.5 billion than the deficit of \$73.4 billion in the corresponding quarter of fiscal 1995. This builds on the progress of the prior three fiscal years, as the deficit narrowed progressively from a record \$290.4 billion during all of fiscal 1992 to \$163.9 billion in fiscal 1995.

In early February, the Administration released an initial version of the fiscal 1997 Budget, containing deficit projections through fiscal 2002. These show a further reduction in the deficit to \$152.0 billion for all of fiscal 1996. The budget balance then continues to improve steadily, moving into surplus by fiscal year 2002, assuming enactment of Administration proposals and based on Administration economic assumptions. Additional budget details will be released in the latter part of March.

A portion of the improvement in the budget deficit in the first quarter of 1996 from a year earlier can be traced to the partial Federal shutdown after the Administration and the Congress failed to reach an agreement on a deficit reduction package and also to constraints resulting from failure by Congress to raise the ceiling on the national debt. These contributed to an actual decline of 0.3 percent in total budget outlays in the quarter. Receipts rose by 5.3 percent, or somewhat faster than growth of nominal economic activity.

The increase in receipts was led by a jump of 14.7 percent in gross corporate income tax payments, suggesting that corporate profits remained strong in the quarter. (The Commerce Department's estimate of the actual level of profits in the quarter is not yet available.) Withheld income and employment taxes rose by a moderate 4.9 percent, which probably about matched growth of the wage and salary tax base. (National accounts estimates of wages and salaries in the quarter also are unavailable.) A major negative element among revenue components was custom duty receipts. These declined by 11.1 percent, largely reflecting the general lowering of tariffs resulting from the Uruguay Round of trade negotiations, effective January 1995.

The Federal shutdown and debt limitations were major factors behind the decline in total outlays in the quarter. These

resulted in deferrals of a \$3.0 billion foreign aid payment and of some grant payments to States and localities and also caused delays in payment of compensation to some Federal employees who had been furloughed during the shutdown. Such deferred payments will be made up later in the fiscal year. In addition, spending was held down in the quarter by uncertainties surrounding availability of funds, caps under continuing resolutions, the overall Administration effort to restrain spending, and by the effects of the deficit reduction package enacted in 1993.

Among categories largely unaffected by the budget impasse, outlays under the defense function continued on a downtrend. These fell by 4.8 percent in the first quarter, including a drop of 22.0 percent in Defense Department procurement of military goods. The procurement account has borne the greatest part of the cutback since defense outlays reached a peak in fiscal 1989.

Functional outlay categories registering increases in the first quarter included Medicare, which rose by 9.7 percent. Net interest payments increased by 6.0 percent, reflecting a 4.6 percent increase in the outstanding public debt and a slight increase in the effective interest rate. Unemployment insurance costs increased by 5.0 percent, marking a reversal of the recent pattern which had seen these costs drop by more than one-third from fiscal 1993 to fiscal 1995. Social Security benefits rose by 4.9 percent in the quarter, or about in line with budget projections. The fastest growing component of Social Security continues to be disability insurance, which rose by 8.9 percent in the quarter. Allowing for an inflation adjustment of disability payments of 2.8 percent, that would indicate that the number of persons on the disability rolls has continued to increase at a fairly rapid rate of about 6 percent. ◇

Total On- and Off-Budget Results and Financing of the U.S. Government

(In millions of dollars)		
	Oct.-Dec.	Actual fiscal year to date
Total on- and off-budget results:		
Total receipts	323,872	323,872
On-budget receipts	246,173	246,173
Off-budget receipts	77,698	77,698
Total outlays	379,794	379,794
On-budget outlays	315,671	315,671
Off-budget outlays	64,123	64,123
Total surplus or deficit (-)	-55,922	-55,922
On-budget surplus or deficit (-)	-69,497	-69,497
Off-budget surplus or deficit (-)	13,575	13,575
Means of financing:		
Borrowing from the public	33,335	33,335
Reduction of operating cash	17,454	17,454
Other means	5,133	5,133
Total on- and off-budget financing	55,922	55,922

Fourth-Quarter Receipts

The following capsule analysis of budget receipts, by source, for the fourth quarter of fiscal 1995 supplements fiscal data reported in the December issue of the "Treasury Bulletin." At the time of that issue's release, not enough data were available to analyze adequately collections for the quarter.

Individual income taxes—Individual income tax receipts were \$147.9 billion for the quarter. This is an increase of \$9.3 billion over the comparable quarter for fiscal 1994. Withheld receipts increased by \$8.4 billion and non-withheld receipts increased by \$1.8 billion in this period. There was an increase of \$0.9 billion in refunds over the comparable fiscal 1994 quarter. There was a decrease of \$0.2 billion in accounting adjustments between individual income tax receipts and the Social Security and Medicare Trust funds in the fourth quarter as compared to the same quarter of fiscal 1994.

Corporate income taxes—Net corporate receipts for the quarter totaled \$38.9 billion. This was \$4.7 billion higher than net receipts for the comparable quarter of fiscal 1994. The \$4.7 billion figure consists of \$3.9 billion in higher estimated and final payments plus \$0.8 billion in lower refunds. The increase in net receipts mainly reflects higher corporate profits.

Employment taxes and contributions—Employment taxes and contributions receipts for the quarter were \$108.7 billion, an increase of \$2.9 billion over the comparable prior year quarter. Receipts to the Old-Age Survivors Insurance and Hospital Insurance trust funds decreased by \$2.5 billion, and \$0.4 billion, respectively. Receipts to the Disability Insurance trust fund increased by \$4.9 billion. There was a -\$0.1 billion accounting adjustment for prior years' employment tax liabilities made in the fourth quarter of fiscal 1994, while there were no adjustments made in the same quarter of fiscal 1995.

Contributions for other insurance and retirement—Contributions for other retirement were \$1.1 billion for the quarter. There was a negligible change in receipts from the fourth quarter of fiscal 1994. The growth in contributions will remain flat over the next few years as the number of employees covered by the Federal employees' retirement system (FERS) grows slowly relative to those covered under the civil service retirement system (CSRS).

Unemployment insurance—Unemployment insurance receipts for the quarter were \$6.3 billion, which is \$0.3 billion less than they were for the comparable quarter of fiscal 1994. State taxes deposited in the U.S. Treasury decreased by \$0.2 billion, and Federal Unemployment Tax Act (FUTA) receipts decreased by \$0.06 billion. Railroad unemployment tax receipts were approximately the same as in the comparable quarter of fiscal 1994.

Excise taxes—Net excise tax receipts for the quarter were \$15.7 billion, unchanged over the comparable prior year quarter. Total excise tax refunds for the quarter were \$0.5 billion, a decrease of \$0.1 billion over the comparable prior year quarter.

Estate and gift taxes—Estate and gift tax receipts were \$3.8 billion for the quarter. These receipts represent a decrease of \$0.5 billion from the previous quarter, and an increase of \$0.3 billion over the same quarter in the previous year. Receipts were \$14.8 billion for fiscal 1995, which represent a reduction of \$0.4 billion from the previous year.

Customs duties—Customs receipts net of refunds were \$5.0 billion for the quarter. This is a decrease of \$0.6 billion from the comparable prior-year quarter. It is due to a decrease in tariffs resulting from implementation of recently enacted trade agreements.

Miscellaneous receipts—Net miscellaneous receipts for the quarter were \$5.2 billion, a decrease of \$1.6 billion over the comparable prior year quarter. The bulk of the decrease is attributable to lower deposits of Federal Reserve earnings. ◇

Fourth Quarter Fiscal 1995 Net Budget Receipts, by Source

[In billions of dollars]			
Source	July	August	September
Individual income taxes	42.8	44.1	60.9
Corporate income taxes	3.4	2.5	33.0
Employment taxes and contributions	34.5	34.9	39.3
Unemployment insurance	1.6	4.5	0.2
Contributions for other insurance and retirement	0.4	0.4	0.4
Excise taxes	5.1	4.9	5.7
Estate and gift taxes	1.0	1.5	1.3
Customs duties	1.6	1.8	1.6
Miscellaneous receipts	2.3	2.1	0.8
Total budget receipts	92.7	96.7	143.2